

## Message Text

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ORIGIN NEA-10

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NSAE-00 PA-01 USIA-06 PRS-01 SP-02 NSC-05 EB-07

COME-00 PM-03 TRSE-00 OMB-01 SEC-01 H-02 /065 R

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L - MR. FELDMAN (INFO)

T - MR. LEWIS (INFO)

S/S:FVOR

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TO AMEMBASSY JIDDA PRIORITY

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E.O. 11652:ADS - DECLASS ON RECEIPT

TAGS: PINT, SA

SUBJECT: HEARST NEWSPAPER ARTICLE ON NORTHROP ACTIVITIES

FOR AMBASSADOR

1. FOLLOWING ARTICLE WRITTEN BY JOHN HALL APPEARED IN ALL  
HEARST NEWSPAPERS ON JUNE 3.

BEGIN TEXT: THE NORTHROP CORPORATION, A CALIFORNIA  
AEROSPACE FIRM, HAS ADMITTED PAYING A DOLS 450,000 BRIBE  
EARMARKED FOR TWO SAUDI ARABIAN GENERALS IN EXCHANGE FOR  
THEIR HELP ON AN AIRCRAFT PROCUREMENT CONTRACT.

SENATOR DICK CLARK, D-IOWA, MADE THE DISCLOSURE TO THE  
HEARST NEWSPAPERS FOLLOWING CLOSED-DOOR TESTIMONY BY  
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NORTHROP OFFICIALS TUESDAY BEFORE THE SENATE FOREIGN RE-  
LATIONS SUBCOMMITTEE ON MULTINATIONAL COMMITMENTS.

THE NORTHROP OFFICIALS, CLARK SAID, ACKNOWLEDGED PAYING THE

BRIBE MONEY TO MIDDLE EAST MERCHANT ADAN M. KHASHOGGI. CLARK SAID THE NORTHROP OFFICIALS TESTIFIED KHASHOGGI TOLD THEM THE MONEY WAS NECESSARY TO PAY OFF TWO HIGH-RANKING SAUDI ARABIAN GENERALS WHO WOULD INFLUENCE THE GOVERNMENT TO PURCHASE NORTHROP'S F-5E LIGHTWEIGHT FIGHTER.

THE MONEY, ACCORDING TO CLARK, WAS PAID TO KHASHOGGI IN CASH IN 1971 AND 1972.

THE SUBCOMMITTEE VOTED NOT TO RELEASE THE TWO GENERALS' NAMES BECAUSE NORTHROP DID NOT KNOW WHETHER THE DOLS 450,000 WAS ACTUALLY PAID TO THE TWO GENERALS.

HOWEVER, NORTHROP OFFICIALS ASSURED THE SUBCOMMITTEE THAT THEY HAD GIVEN THE SAUDI ARABIAN GOVERNMENT THE NAMES OF THE TWO GENERALS LAST WEEKEND.

NORTHROP BECAME THE THIRD MAJOR US FIRM TO ACKNOWLEDGE HAVING PAID SIZEABLE BRIBES AND FOREIGN POLITICAL DONATIONS TO OBTAIN OVERSEAS BUSINESS, IN AN INVESTIGATION THAT HAS BECOME KNOWN AS "THE WATERGATE OF PRIVATE INDUSTRY."

GULF OIL CORPORATION TESTIFIED PUBLICLY MAY 16 THAT IT PAID DOLS 4 MILLION TO THE POLITICAL PARTY OF SOUTH KOREAN PRESIDENT PARK CHUGH HEE IN 1966 AND 1970 AND DOLS 460,000 IN POLITICAL GIFTS TO THE LATE BOLIVIAN PRESIDENT RENE BARRINTOS BEGINNING IN 1966.

UNITED BRANDS COMPANY EARLIER DISCLOSED TO THE SECURITY AND EXCHANGE COMMISSION THAT IT PAID MORE THAN DOLS 2 MILLION IN BRIBES TO OFFICIALS IN HONDURAS AND EUROPE.

CLARK SAID NORTHROP OFFICIALS IDENTIFIED THE DOLS 450,000 IN PAYMENTS TO THE TWO GENERALS AS "BRIBES" AND DID NOT CALL THEM POLITICAL CONTRIBUTIONS.

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KHASHOGGI IS A 39 YEAR OLD MULTIMILLIONAIRE AND THE SON OF THE PERSONAL PHYSICIAN TO THE LATE KING FAISAL. IT WAS EARLIER DISCLOSED THAT KHASHOGGI'S WEAPONS CONSULTING FIRM, TRIAD INC., IS TO RECEIVE A DOLS 45 MILLION AGENTS' FEE FOR WINNING AN DOLS 850 MILLION CONTRACT FOR NORTHROP TO PROVIDE MAINTENANCE AND TRAINING FOR SAUDI ARABIA'S FLEET OF F-5E'S.

THAT CONTRACT, AS WELL AS THE INITIAL SALES CONTRACT FOR THE F-5E'S, WHICH KHASHOGGI ENGINEERED, WAS NEGOTIATED BY THE SAUDI ARABIAN GOVERNMENT AND THE US DEFENSE DEPARTMENT. THE PENTAGON EARLIER SAID IT KNEW OF NO BRIBERY

IN CONNECTION WITH KHASHOGGI'S AGENTS FEES.

CLARK WAS UNCERTAIN WHETHER THE DOLS 450,000 EARMARKED FOR BRIBES TO THE TWO GENERALS WAS IN CONNECTION WITH THE ORIGINAL F-5E SALES CONTRACT OR THE MAINTENANCE AND TRAINING CONTRACT.

THE BRIBE PAYMENTS DO NOT VIOLATE US LAW, BUT CLARK SAID NORTHROP OFFICIALS UNDERSTOOD THAT IT DID VIOLATE SAUDI ARABIAN LAW.

THE INTERNAL REVENUE SERVICE IS INVESTIGATING CORPORATE AGENTS FEE PAID OVERSEAS TO DETERMINE WHETHER CORPORATE INCOME TAX DEDUCTIONS MAY HAVE VIOLATED FEDERAL TAX LAWS.

THE COMMITTEE, MEANWHILE, VOTED TO RELEASE A 200-PAGE SECTION OF SECURITIES AND EXCHANGE COMMISSION REPORT THAT CONCERNS NORTHROP'S PAYMENTS OF DOLS 30 MILLION IN OVERSEAS AGENTS FEES.

THE REPORT, WHICH WILL BE MADE PUBLIC NEXT MONDAY, HAS BEEN KEPT SECRET BY THE SEC BECAUSE OF POSSIBLE FOREIGN POLICY REPERCUSSIONS, BUT THE SENATE COMMITTEE HAS SUBPEONED IT. KISSINGER

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